THE FEDERAL RESERVE SYSTEM

THE COURSE OF THE FEDERAL RESERVE BANKS BEFORE AND DURING THE PRICE CRISIS AND READJUSTMENT

Address by

GEORGE J. SEAY
GOVERNOR OF THE FEDERAL RESERVE BANK OF RICHMOND

Before the

NORTH CAROLINA BANKERS' CONVENTION
AT PINEHURST

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Mr. President and Members of the
North Carolina Bankers' Association:

Having an intimate knowledge of the stress under which you have labored for several years, it is a source of unspeakable gratification to meet with you at a time of recovery, although, as yet, only in part, from the misfortunes and the depression which came upon you as the outcome of the war and its consequences, and which, perhaps, to many of your people brought trials greater than any they ever passed through.

It is a good time to take stock and determine, if we can, whether it is not altogether likely that your banks, nevertheless, will emerge from their troubles with the resources and experience which will enable them to quickly surpass the highest level of prosperity ever reached in the history of your State. I may venture to say that I consider this outcome certain. The history of a state is a history of all its people, and there have been and will continue to be always varying degrees of fortune and misfortune among individuals. But we will consider the history and welfare of the banks of the State as a whole.

I was requested to speak on the Federal Reserve System, but only part of my talk will be on that subject. Our commercial and agricultural life is bound up with the banking business, and the banking business—of non-members as well as members—is inseparably linked with the operations of the Federal Reserve System, so the influence of the Federal Reserve System will nevertheless permeate everything I shall have to say. This will be something of a review.

I remember a small boy in my home town who on one occasion was interrogated as to his progress in his studies. He said his class was then having a review. To test his understanding, his father asked him what that meant, and quick as a flash he replied: "You commence where you was and you go where you is." So I will commence "where you was" before the Federal Reserve System came into existence. It is not my purpose to take advantage of your courtesy in inviting me to speak to be controversial, but I will state certain facts and leave them with you for digestion, and in considering these facts, I will, perhaps, be entitled, at times, to express a personal opinion or conviction, since that is so much the fashion in these troubled days.

When discussing banking transactions and banking practices and banking history, a due proportion of statistics cannot be avoided, but some of the figures which I shall recite tell such a vivid tale and are so full of encouragement that they cannot fail to stir the mind and the imagination. So let me give you a comparison between then and now.

A COMPARISON OF BANK RESOURCES

In 1914, prior to the organization of the Federal Reserve Banks, taking June 30th, the date on which reports are compiled, the aggregate resources of all your State banks, then 422 in number, including branches, were $89,236,000 and their individual deposits $62,794,000.

The state banks of the country, particularly those aggressive state banks—if I may presume to use the term—which are opposing the efforts of the Federal Reserve Banks to give the country a par collection plan, are accustomed to contrast their numbers and banking power with the national banks, and sometimes with the whole Federal Reserve System including state bank members. The state banks have the ascendency in numbers in your State and in the country, as we all know, and the national banks of North Carolina at the time mentioned in 1914 were comparatively few—only 73. These 73 banks, however, had aggregate resources of $67,262,000 and individual deposits of $33,805,000. The national banks, therefore, were of much larger average size.

Seven years later, having passed through the most extraordinary period of the world's history, your banks, both state and national, have emerged not reduced in number nor with resources diminished, but, on the contrary greatly increased in number and power. Your state banks increased 135, making the number 557, with branches, on June 30, 1921, having aggregate resources of $242,374,000, with individual deposits of $157,627,000. The individual deposits of your state banks have increased practically two and a half times, and the total resources have nearly trebled. The resources of the state bank members, 15 in number, were $50,587,000.

Within the same period, your national banks increased 14 in number, making 87, having resources of $144,245,000 and individual deposits of $90,429,000, making the total resources $386,000,000 against $156,000,000 in 1914. The individual deposits of the national banks have grown in a somewhat greater ratio than those of the state banks.

Of course, many banks as well as individuals during that time suffered misfortune and were cut down. That is the history of corporations and business concerns as well as of individuals, and sometimes it is the history of nations. But the world goes on!

In the period under discussion, which, bear in mind, is the period of the Federal Reserve System during world upheaval—social, political, financial and commercial, the banking power of the entire nation also grew beyond precedent, but not quite with the same percentage of growth shown by the banks of North Carolina. For a period of more than two decades, the banking business in the states of North Carolina, South Carolina and Virginia has outstripped the rate of growth of the country as a whole; and when we consider the magnificent endowment of this section in climate, soil and natural resources, without attempting the prophetic, we have reason in experience to expect continuance of this ratio of development.

INCREASE IN THE BANKING POWER OF THE COUNTRY

In the country-at-large in this period, the banks increased in number from 26,765 to 30,812, and their resources from $26,971,000,000 to $49,671,-000,000. There is no information as to whether all the banks of the country reported on either of the dates chosen for comparison, but the comparison covers all reporting banks.

It is highly interesting to compare the development of the state and the national banks in the whole country, as well as in your own State, and for that purpose I incorporate a table in this address, to which reference can be made.

The national banks increased in number from 7,525 to 8,154, and their resources from $11,482,000,000 to $20,518,000,000. The state banks, that is, the commercial state banks, doing a similar business to the national banks (to make the comparison fair) increased astonishingly both in number and resources: in number from 14,512 to 18,875, and in resources from $4,354,000,000 to $14,199,000,000.

The loan and trust companies, which in many respects do a regular banking business, as you know, actually decreased in number—due to consolidation doubtless—but increased in resources from $5,489,000,000 to $8,181,-000,000.

It will be observed that, although the commercial state banks, not including trust companies, outnumber the national banks by more than two to one, their total resources are six billions less than the resources of the national banks.

How do these figures compare with the banking power of all the banks in the Federal Reserve System, both national and state, including trust companies?

The resources of the state bank and trust company members of the System on June 30, 1921, were $10,009,000,000, making the aggregate resources of all members of the System $29,639,000,000 against resources of $12,371,000,000 of the commercial state banks and trust companies not in the System. The System thus embraces about 60 per cent of the entire "banking power" of the country, as usually expressed, including mutual savings banks and all private banks, but about 70 per cent of the commercial banking power. In April, 1915, about five months after organization of the Reserve Banks, their total resources were $340,000,000, all reserve deposits not having been paid in at that time. In October, 1920, their resources had grown to $6,600,000,000, and the Reserve Banks were then lending their members $3,100,000,000, although the reserve deposits of members were only about $1,800,000,000. The amount of Federal Reserve notes outstanding then was $3,400,000,000. Such is the value and power of the credit and currency principles embodied in the Federal Reserve Act. In April, 1915, the resources of the Federal Reserve Bank of Richmond were only $15,500,000; at the greatest period of expansion they reached $300,-000,000. The Richmond bank organized with less than a dozen employees. They now number 773, including the Branch at Baltimore.

INCREASE IN CURRENCY CIRCULATION

During this wonderful period under study, the money circulation of the country increased from $3,630,000,000 in 1914 to $6,363,000,000 on December 1, 1920, an increase of $2,733,000,000 in seven years. In one year, 1917, it increased $782,000,000, and in 1918, $908,000,000. These tremendous increases can be appreciated only by comparison. In the six years from 1908 to 1914 (August 1st), the increase in all forms of money in circulation was only $390,-000,000, not quite $50,000,000 per annum.

On one occasion early in the development of the System, the governors of the Federal Reserve Banks together with representatives from the Federal Reserve Board met in Minneapolis at the Federal Reserve Bank, of that city, to hold one of their periodical conferences. The speaker, among others, made a short talk and endeavored to picture the probably development of the Federal Reserve System, although, it must be confessed, no idea of the magnitude of growth and the rapidity of development which has since taken place was then in mind. But some allusion was made to the power which the Federal Reserve System might exercise in the banking operations of the nation. Mr. James J. Hill, one of the greatest figures the Northwest has ever produced, a great railroad builder, as you know, derided the probabilities which I ventured to outline, and said that to him it seemed that we might as well expect the "tail to wag the dog." Since that time, the "tail" has, indeed, grown to unexpected proportions, and has, as you know, been accused on many sides of "wagging the dog." Not so, however. The dog is still "the thing," and has fully grown up to his tail, and should wag under his own power. But the point I am endeavoring to illustrate is that the dog has been neither killed nor seriously injured by the supposed wagging, but has grown to greater dimensions than any pre-historic animal.

The total loans and discounts of all the banks of the country to their customers on June 21, 1921, were $28,932,000,000. The maximum amount of paper rediscounted by Federal Reserve Banks on a given date was, approximately, $3,100,000,000, or only about 11 per cent. of that total. This should be accepted as evidence that too much has been made of the charge that the Federal Reserve Banks control the bank credit of the country, or that Federal Reserve Bank rates control interest rates. They reflect conditions; they do not make them. They cannot prevent rates going low, and they exercise only a moderating influence on rates going high or too high.

THE FEDERAL RESERVE SYSTEM

There is no exact or close parallel in the banking system of any country to the Federal Reserve System. We all, perhaps, hear more of the Bank of England and its operations than of any other central bank, although the Bank of France is in many respects the greatest of all central banks. In France there are only a few joint stock banks.

In the United Kingdom, there were only 38 banks up to a recent date, but these banks had established 9,462 branches, or one branch to about every 5,000 population. In the neighboring Dominion of Canada, where before the

organization of Federal Reserve Banks, they had a banking system superior to ours in some respects, particularly as to the currency, there are only 19 banks, but these banks have 3,545 branches. These conditions are recited for the purpose of bringing them in contrast with the more than 30,000 independent banking institutions of all classes in this country, 9,745 (June 30, 1921) being combined in one system—that is, the Federal Reserve System. Let us consider what has happened under the Federal Reserve System.

There are some who allege that the policies which they ascribe to those charged with the administration of the System, were the "direct cause of deflation in prices" and "destruction of the purchasing power of a large portion of the nation" by reason of the losses inflicted upon those affected by decline in the prices of that which they produced or held. Even if this were admitted, during the operation of the System there has been, nevertheless, an unparalleled advance in the banking power of the country which can fairly be attributed to the working of the System, as administered. And if the distribution of wealth has been uneven, and if misfortune has fallen heavily on part of our people, it is undoubtedly true that the wealth of our country, or the wealth-producing power, and the facilities for an enlarged commerce have been increased, notwithstanding the destruction or waste of much capital by war. I have stated many of the facts and will give others which demonstrate that we are not prostrated but have accumulated wealth and power, and have the machinery for greater accomplishment, and it is due in very large part to the operation of the Federal Reserve banking system. Of that there can be no doubt whatever. Of course it may be argued that we might have everything which we now have and more, too, under a different policy. Any man may charge that, and no man, however wise, is in position to refute it. "Man never is, but always to be blessed."

However, consider this: during the seven-year period since the organization of the Federal Reserve System, the banking power of the country has grown more than it grew in any three decades prior to that time, and there has been greater stability in the conduct of the banking business the country over; indeed, the banking power has developed almost as much within this brief period as it had during the entire period of banking up to that time. The banks of your own State, both national and State banks, up to 1913, from the beginning of their organization, had acquired resources amounting to only $156,000,000, and yet within the seven-year period mentioned, they added $230,000,000. The total is down $66,000,000 from the peak of inflation, but because of that shall we take no account of the tremendous increase which remains? The record must be admitted to be amazing, and it had a cause.

A distinguished critic states, in an article contributed to the Raleigh News & Observer of April 27th which was distributed by the publishers in the convention, that "from January 1, 1920 to September 6, 1921 the total deposits of the national banks of the United States shrank from $17,866,000,000 to $14,561,000,000, the total loss in deposits for this period being $3,305,000,000." This he attributes to the "destructive contraction policy" of the Federal Reserve System.

An analysis of this "loss in deposits" shows that $1,230,000,000 occurred in bank deposits and $340,000,000 in Government deposits. During the period

specified by the critic the loans of the national banks were reduced $809,000,000. It is well known that deposits are built up through credit transactions—that is by loans. When loans are paid, the process is reversed and deposits decline.

But, taking the shrinkage as it stands, there is another side to the picture. The deposits of national banks increased during the period which I am reviewing—that is, from 1914 to 1921, from $8,563,000,000 to $17,866,000,000. They more than doubled within this period. We have no experience of similar conditions which justified us either in the hope or the expectation that banks could retain without reaction the whole of the entire growth to such unexampled proportions. After the shrinkage, to which attention is called, the increase in deposits from 1914 remained $5,997,000,000, and it should be noted that the last report shows that the deposits of all national banks recovered or increased $830,000,000 from September 6, 1921 up to March 10, 1922. That record, too, is amazing, and it had a cause.

MAGNITUDE OF PRESENT-DAY TRANSACTIONS

By means of the mechanism provided by the Federal Reserve Act and built up by the Federal Reserve Board and the Federal Reserve Banks, transfers of funds and settlements of balances between different sections of the country have been effected in a single day, staggering in their magnitude, with such ease and absence of disturbance as to pass without public notice. The 40 billions of dollars raised for war was handled through the Federal Reserve Banks.

Under former banking practice, the transfer of a few million dollars from one part of the country to another, through credit and exchange operations, would sometimes cause local stringency until the funds were redistributed. On the other hand, by means of the machinery of the Federal Reserve Banks, the Government has handled taxes from every nook and corner of the country, amounting at times to about one billion dollars quarterly; huge issues of certificates of indebtedness have been floated, have matured and been paid, and the receipts and disbursements of the Treasury on a single day, on occasion, have amounted to approximately a billion dollars each way. All of these funds passed through the Federal Reserve Banks; they were adjusted and redistributed, and the Federal Reserve Banks supplied any credit needed without disturbance of the financial equilibrium and as a routine matter. You have all become accustomed to these tremendous transactions, and they now occasion no comment among you; yet they would not have been possible under former methods.

COURSE OF THE FEDERAL RESERVE BANKS DURING THE DECLINE OF PRICES

Now, let us consider together, fairly, what were the real facts relating to the part which the Federal Reserve Banks played in the credit system of the country during that wild period of inflation after the armistice, with the subsequent and consequent deflation, and I ask you to ponder upon these facts when you consider the allegations of those who charged that the Federal Reserve

Banks, by restricting or contracting credit and the issue of currency brought about those declines in prices which have been so disastrous, temporarily, at least, to a part of the people, because chiefly of the inequality in the decline of certain products and commodities in relation to others and to all the factors which enter into the cost of living.

You will recall that, immediately after the armistice, there was a decline or halt in the activity of business, and an apprehension and even expectation of further decline and depression because of the cessation of business created by the war. It was rather expected that the inevitable inflation, which had been brought about would start upon its natural course of deflation. This rather general expectation was reflected in actual hesitation of business. But the halt was of brief duration, and those who then expected a decline reckoned without considering all the factors in the case. No financial undertakings equal to those of the Government were ever assumed in a like period by any government in the world at any time. After the armistice, commitments entered into by the Government had to be fulfilled, and the extent of the commitments was not known to or appreciated by the general public. It has been said that we planned for a five-years' war.

We raised by taxes and from sale of Government securities about 40 billions of dollars, and according to Assistant Secretary Leffingwell, who had active charge of Treasury financing during that period, we spent half of it—20 billions—after the armistice. You know we raised the Victory Loan after the end of the war. It was these commitments and expenditures which were chiefly responsible for business activity at the high mark, and this business activity, the cause of which was not as well understood as it should have been, incited the use of further sums of bank credit to supply what then appeared to be an insatiate demand, due in part to an orgy of spending as a reaction from the self-denial of war times. There you have the whole picture. The Assistant Secretary, on a certain occasion, when commenting on Treasury activities, described the situation and the results so graphically that I will quote him literally:

> "We fought a great war. We are proud of it and glad of it. But from the economic point of view, it was a reckless debauch, and the people ought to be told that the next time they enter upon an economic debauch, they must pay the price, and the price will be registered in inflation. We must not delude ourselves, or those who rely upon us, with the belief that the consequences of economic waste can be avoided by any amount of wisdom and ingenuity in finance or banking."

In this connection, in order to show how a considerable proportion of the money raised by the Government was expended, in competition with home buying, during that period, to which due weight is seldom given when the course of prices is considered, I will quote one of the findings of the recent Joint Commission of Agricultural Inquiry:

> "While exports had begun to fall off in some commodities during this period (March 19, 1919, to June, 1920), notably in war materials, and in the latter part of the period in farm products, a balance of $2,500,000,000 of funds placed by the United States Government to the credit of foreign governments enabled Europe to complete payments for goods under contract and to continue its purchases in this country for a period of several months. This purchasing on the part of foreign governments during the period undoubtedly helped to sustain the prices of commodities in this country during this time."

The balance of trade continued to be in our favor, month after month running as high as $700,000,000 in a month. $2,500,000,000 is an enormous sum. When this sustaining power was withdrawn or exhausted, then began to happen that which no amount of "wisdom or ingenuity in finance or banking" could have avoided.

We could have just such another debauch and just such another rise in prices with a consequent unequal distribution of wealth, if it were possible to bring about conditions similar to those which then existed, and if we pursued the same tactics in raising and spending money and competing for goods and labor; and we could, in my opinion, look forward to the same settlement—whatever banking policy it might be practicable to adopt. I agree with Mr. Leffingwell that the result could not be avoided "by any amount of wisdom and ingenuity in financing or banking." We dance and we pay the piper.

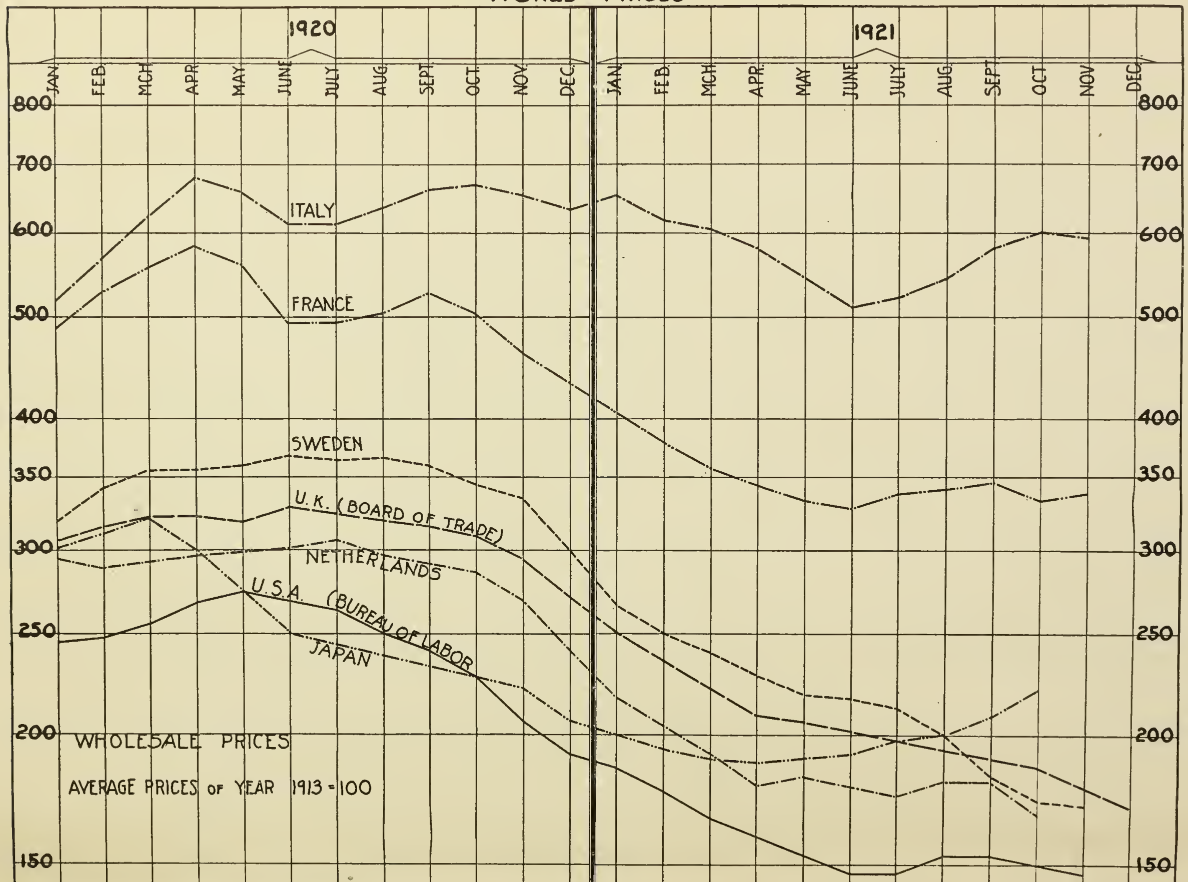
I think I am right in saying that, undoubtedly, a very considerable proportion of the public has been led to believe, for one reason or another, that the credit policies of the Federal Reserve Banks—and when I say "credit policies," I mean alleged restriction of credit or contraction of credit and of currency—were directly responsible for the inauguration of the decline in prices. I have been told that this opinion prevails to a considerable extent in North Carolina. The subject is certainly one of great importance, and it ought to be settled for good. While it is not new to you and has been much discussed, I trust I may nevertheless be able to hold your attention.

Our member banks know very well that there has been no lack of liberality in providing credit, but since the majority here do not represent member banks, I will give you proof of what the Richmond bank did, as well as of what the entire System did. Although, as I say, the truth has been presented before, it appears not to have entered the eye of the mind of some, so I am making use of certain charts to illustrate it to the external senses. I hope I do not assume too much, and that I may be able to set that phase of the matter forever at rest in the minds of at least the majority of you. There have been so many charges and reiterations and some have so interpreted and used the facts and the figures to suit personal theory and opinion, which may, of course, have been shared by others, that it is no wonder many have been confused.

In considering the causes of price decline, it is vital to a correct conclusion to consider first when prices began to decline. I have had enlarged a chart published by the Manchester GUARDIAN, one of the most reputable and conservative journals of England, whose information, I think, we can accept, which illustrates the beginning and the course of the decline in the principal countries through the year 1920, in which the greatest decline occurred, and on through 1921. Refer to this chart, and mark well the beginning of the decline, the rapidity of the decline, and particularly the period of maximum decline in this country, which was from May through December, 1920. Observe that the decline apparently started first in Japan in March, and it was rapid, severe and continuous for the period of a year. It next extended to France and Italy where decline commenced simultaneously in April. The decline in France continued with but little interruption till June, 1921. The decline in

COPY OF CHART PUBLISHED BY MANCHESTER GUARDIAN, ENGLAND

WORLD PRICES



the United States commenced in May and in Great Britain apparently in June, and in Sweden and the Netherlands a little later.

This chart and the other charts submitted illustrate what everybody now must admit to be the fact, that the decline started throughout the world at a time when the Federal Reserve Banks, notwithstanding they were admonishing their members and the public to go cautiously in the use of credit, and to liquidate unnecessary loans, were, nevertheless, granting large additional sums of credit to their member banks; and the issue of Federal Reserve notes was increasing at the same time, and the volume of both credit and currency continued to increase during the period of maximum decline in this country. Therefore, those who have charged that contraction of credit by Federal Reserve Banks (which did not at that time take place) was responsible for the tumble in prices (which did take place) must change the nature of their charge to give it any standing in court. The Federal Reserve Banks were certainly not responsible for starting the decline in foreign countries. Let us base a decision upon the facts in this case, and not upon personal opinion or upon unfounded allegations or upon assumptions, or upon dangerous suppositions which have been adopted by some people with the confident assurance that, if such experiments had been made, there would not have been any fall in prices, or at least not until one set of producers had exchanged their surplus products for the surplus products of other people; so that, by some commercial alchemy, the goods of the world in this country would have been so equably swapped or bartered or distributed that nobody would have suffered a loss, or that the loss would have been so distributed that no one would have felt it seriously, but all things would have come down together or would have adjusted themselves to an equitable level. That is ideal, but wholly impossible of realization.

The decline in discounted paper and Federal Reserve notes followed the decline in prices as a matter of course. To say that it preceded the decline is not sustained by fact, and if it did not precede, it did not cause.

The charts indicate that the peak of prices in this country was reached in the spring of 1920, about May. For just about one year prior to that time, the amount of commercial and agricultural paper discounted for member banks, including paper acquired in the shape of bank acceptances, based upon commercial transactions, had been steadily increasing until the increase amounted to $1,120,000,000 up to May, 1920.

As a matter of course, the paper discounted by Federal Reserve Banks covered by Government securities had been decreasing gradually as these securities became absorbed, either by those who subscribed for them or by the investing public. Prices, from whatever cause or causes, began to decline, and although allegations were made that credit was being restricted and contracted, the holdings of Federal Reserve Banks of commercial and agricultural paper increased further from May to October 29th, when it reached its maximum total of $1,895,000,000, which was more than the reserve deposits of all member banks, and an increase from May to October 29th of $405,000,000. Neither caution nor the discount rate stemmed the demand for credit, and, so far as we are aware, no bank that needed credit and asked for it was denied it. I choose

the date of October because that is the date when, according to the weekly statements rendered by Federal Reserve Banks, the holdings of commercial and agricultural paper were at the top. Although it is customary about that time of the year, that is, in the fall, for some liquidation to take place as a regular matter of course, from then on to December 30th, the holdings of such paper by Federal Reserve Banks decreased only $62,000,000, a smaller amount than might have been expected from natural causes. Federal Reserve notes, however, did not reach their maximum circulation until December 23d, and remained high until March, 1921.

The discounted paper of the same nature held by the Federal Reserve Bank of Richmond followed the same course. The total increase during the year 1920 up to October 29th was about $41,000,000, and at the close of 1920, the amount of such paper was but $3,000,000 less. I ask you again to bear in mind that it was during this period of rising rediscounts that prices had their most rapid and drastic decline. It is manifest, therefore, that to whatever cause or causes the decline in prices during this period may have been due, it was not due to a contraction of credit by Federal Reserve Banks during the period, for no such contraction took place. The charges that such contraction did take place and was the cause of the decline in prices will not stand, therefore, and we must look to some other cause. It would at least have been more logical to have charged that the decline started and continued because credit was not poured out still more freely. But in that way lay great danger. Has anybody forgotten the evil and the unbearable burden of high prices generally?

In connection with the decline in prices during this period, which witnessed an increase in the rediscount of commercial and agricultural paper by the Federal Reserve Banks, this fact also must be taken into account, and, so far as I have observed, it has not heretofore received due attention. All new credit granted at the lower prices brought about by the decline went very much further in meeting the credit demands. That is to say, the credit, of course, financed a much greater volume of commodities and goods. While a great proportion of the paper held by Federal Reserve Banks based upon old transactions continued to be renewed, it took a much smaller amount of credit to finance new transactions. Manifestly, it did not require the same credit to finance cotton at $50 or $75 per bale which it took at $150 to $200 per bale. Cotton and cotton goods had almost their whole decline before the close of 1920. Therefore the amount of increase in Federal Reserve Bank credit during this period was relatively, that is, in comparison with a similar amount of credit issued against goods at higher prices, much greater in effectiveness than it seemed. It went further, of course.

DEALINGS OF THE FEDERAL RESERVE BANK OF RICHMOND WITH ITS MEMBER BANKS

Let me describe the dealings of the Federal Reserve Bank of Richmond with its members. Reserve Banks deal with their member banks, as our member banks know, practically in the same manner in which all banks deal with their customers. They discount paper or grant credit according to the needs of the

bank and according to the condition of the banks asking for credit. The Federal Reserve Bank of Richmond advanced the maximum amount of credit for the year 1920 in September, $144,000,000. In order to do this, it was compelled to borrow at times as much as $30,000,000 from other Federal Reserve Banks. On October 31st, it was discounting for the borrowing banks of North Carolina 229 per cent. of their basic line. Our member banks understand the meaning of the term "basic line" (which is a theoretical term), but for the information of non-members and others present, I will say that it means the amount which the Federal Reserve Bank is enabled to lend to any particular member bank by reason of the contribution of that particular member bank to the lending power of the Federal Reserve Bank. It is arrived at in this way: 35 per cent., being the amount of reserve which the Federal Reserve Bank is required by law to carry against deposits, is deducted from the reserve deposit of the member bank. After this deduction, the paid-in capital stock of the member bank in the Federal Reserve Bank is added, and the basic line is reckoned to be two and one-half times the sum obtained.

LIBERALITY OF FEDERAL RESERVE BANK IN EXTENDING CREDIT

I will illustrate the liberality of the Federal Reserve Bank of Richmond in dealing with members by a table of typical cases of banks in North and South Carolina and Virginia.

A Memorandum of the Amount of Credit Extended to Banks in North Carolina, South Carolina and Virginia in a few Typical Cases on a Given Date—April 28, 1921

This memorandum is intended to show the credit strain under which these banks operated, due to conditions in their localities, and the extraordinary assistance given them by the Federal Reserve Bank, while charges of "restriction of credit" were being made by misinformed people. Note the proportion of borrowed money to the deposits of the banks and to the reserve deposits carried in the Federal Reserve Bank.

Loans	Borrowings from F. R. Bank	Borrowings from Elsewhere	Deposits	Reserve
$ 404,000	$ 172,000	$ 15,000	$ 191,000	$ 11,837
3,978,000	786,000	205,000	2,808,000	271,597
673,000	381,000	97,000	394,000	overdrawn
3,559,000	660,000	239,000	2,302,000	102,799
3,685,000	713,000	243,000	2,682,000	129,986
1,011,000	284,000	15,000	557,000	13,153
867,000	369,000	....	448,000	17,592
150,000	88,000	16,000	62,000	4,482
775,000	355,000	62,000	447,000	16,497
177,000	69,000	10,000	51,000	overdrawn

Loans	Borrowings from F. R. Banks	Borrowings from Elsewhere	Deposits	Reserve
1,868,000	469,000	25,000	1,376,000	overdrawn
4,359,000	1,441,000	175,000	3,748,000	176,731
1,203,000	536,000	20,000	705,000	34,233
10,217,000	3,573,000	250,000	7,166,000	458,957
420,378	170,000	25,000	224,000	7,665
346,000	231,000	35,000	142,000	overdrawn
652,000	239,000	15,000	160,000	25,086
153,000	40,000	24,000	66,000	4,604
4,513,000	1,262,000	670,000	3,574,000	179,145
454,000	218,000	25,000	250,000	6,557
756,000	273,000	55,000	372,000	15,663
191,000	74,000	20,000	69,000	3,148
2,397,000	802,000	378,000	1,955,000	100,596
4,074,000	980,000	745,000	3,966,000	183,207
420,000	243,000	....	220,000	20,527
5,122,000	906,000	83,000	3,241,000	141,143
171,000	94,000	10,000	111,000	4,150
1,528,000	527,000	89,000	1,109,000	41,812
200,000	63,000	37,000	100,000	3,020
325,000	89,000	87,000	161,000	3,330
701,000	225,000	145,000	322,000	13,681
608,000	270,000	61,000	288,000	12,225
1,230,000	386,000	135,000	658,000	6,226
305,000	175,000	5,000	111,000	overdrawn
1,502,000	409,000	....	1,202,000	overdrawn
337,000	160,000	40,000	332,000	overdrawn
573,000	194,000	35,000	212,000	16,725
4,877,000	1,362,000	....	3,366,000	228,417
3,662,000	1,002,000	....	2,958,000	195,328
16,448,000	3,234,000	845,000	14,217,000	709,242
4,428,000	1,551,000	....	3,152,000	147,783
4,620,000	781,000	325,000	3,030,000	overdrawn
4,946,000	1,590,000	519,000	2,876,000	45,165

The cases mentioned are some of the most flagrant, and they are but an example of the spirit in which the bank dealt with all of its borrowers at a time when the majority of all borrowers were borrowing to an excessive extent, only a little less aggravated than in the examples given. This will be manifest to you in the statement I have before made, that all of the borrowing member banks in North Carolina were borrowing 229 per cent. of their basic line, or nearly five times the amount of the reserve deposits which they were maintaining. The loans of South Carolina members were actually greater and relatively much greater. At the end of the year 1920, the member banks of North Carolina were borrowing $25,000,000 and the members in South Carolina $26,000,000, while the banks of Virginia were borrowing $49,000,000, the member banking resources in Virginia being much larger than in the two Carolinas combined. These conditions continued with but little decrease during the entire year 1921. On June 30, 1920, all the **state banks** in North Carolina were borrowing $29,-

000,000, a majority part of which, of course, came from the Federal Reserve System. On June 30, 1921, they were borrowing $32,000,000. At one time the member banks of the Federal Reserve Bank of Richmond were lending to non-members in this District about $35,000,000. Not a single member bank in this District failed or suspended for lack of credit up to 1922. One member bank only failed, and it was burnt out and its assets destroyed in large part.

By reference to the list of typical banks to which I have alluded, you will see that a number of those banks were borrowing more than their total deposits at that time. I leave it to you to say, and I think you know, what would have happened if we had not extended support to this more than liberal degree—support which would not have been warranted to that extent under any ordinary conditions. Only recently I learned that one member bank said that if the Federal Reserve Bank had understood conditions, it would have been more liberal and altered its policy. Now that particular bank was borrowing from the Reserve Bank in August, 1920 $3,400,000, and about $2,000,000 from other banks (which came from the System, I am sure). Its deposits at the time were somewhat over $9,000,000. By December we had increased loans to the bank to about $4,600,000; it had reduced its outside borrowing to about $300,000. The reserve deposit of the bank at that time was just a little more than $400,000, so that it was borrowing about 11 times its deposit. What do you suppose was this banker's idea of liberality? I am quite sure we understood conditions better than any single bank did.

When we first began to urge moderation and restraint in the use of credit—and liquidation in some cases—a comparatively small percentage of our members, chiefly in the cities, were borrowing the greater part of what we were lending. That was because of the forced activity in manufacturing centers.

Later on credit demands became heaviest in those parts of the District most intimately identified with agriculture, and there it was found that many banks had made inordinate and non-liquid loans which had nothing whatever to do with agricultural productions. And when we admonished and cautioned member banks, it was because we felt it to be the part of prudence, and necessary to insure that the supply of credit would go around. We were justified by developments.

Having placed you in possession of these facts, I am unable to believe that any banker here present can or will credit or countenance the charge of restriction of credit or forced liquidation by the Federal Reserve Bank of Richmond, and least of all lack of liberality or lack of understanding of conditions.

I have every reason to know or believe that similar motives and conditions prevailed with all Federal Reserve Banks, and I am sure I am right when I say that in dealing with members, policies in granting rediscounts were determined by Federal Reserve Banks and not by the Federal Reserve Board. From the beginning the Federal Reserve Bank of Richmond has been represented by directors of the highest standing and ability, and they hold themselves responsible for the policies of the bank. Both North and South Carolina have been fortunate in having directors of such character and standing and experience, and I am able to say that they have shown a jealous regard for the welfare of the banks of their states.

EARLIER BORROWING PRACTICE

To illustrate how great has been the change in the practice of borrowing by banks, let us compare recent transactions of that nature with similar transactions during the seven year period immediately preceding the organization of Federal Reserve Banks. During 1907 all the national banks in North Carolina never borrowed at a given time more than $3,500,000, and in South Carolina and in Virginia, it so happens, the amount borrowed at a given time by the national banks during the same year did not exceed that sum in either state. During 1914, the first year of the war, when cotton went down to six cents, in the latter part of which year Federal Reserve Banks were established, the maximum amount borrowed by all the national banks in North Carolina on a given date was $7,900,000, and the following year they reduced it to $4,200,000, and the next succeeding year (1916), they were borrowing only $1,865,000. In 1914 all the state banks in North Carolina together borrowed only $5,900,000 on a given date, and in 1916 they reduced that amount to $4,123,000. From 1908 to 1913, inclusive, the amount of inter-borrowing by all the national banks of the country on a given date did not exceed $72,000,000, although in 1907, which was a panic year, they borrowed $100,000,000. Now behold the change! In 1920 they borrowed $2,300,000,000, and in addition were obligated for acceptances amounting to $400,000,000. State bank members were at the time borrowing $464,000,000. At the close of 1921, the national banks had reduced their borrowings to something more than a billion dollars, which has since been further reduced. Lower prices and wages, as well as the curtailment of business activity, resulted in lessened demand for credit and the paying off of loans.

The foregoing will illustrate the tremendous change in the practices of the banks with respect to working within their own resources. The occasion was extraordinary, of course, and they were called upon to do this in the case of loans on Government securities. The trouble arose from the fact that after having used their credit to finance the Government in the war, the banks then demanded further credit from the Federal Reserve Banks to meet the irresistible demand from their customers who saw the opportunity for profitable business. Prices were high and ever going higher, and because of the high prices credit was licked up as a sponge absorbs water. Too great a strain was placed upon even our great gold reserves, which at the height of the credit demand began to diminish heavily through exports. It would, perhaps have been better if the banks had been refused the credit in large part, and to go back still further in the chain, if the banks had refused their customers until their own credit position had become adjusted. But that was not in human nature. Each bank thought its credit demands were reasonable and would relieve a situation or help business, and the sum total of these demands among the great body of our independent banks got out of control, as it always has done. It is contended by many that credit is more fluid under the branch banking system and better controlled, and they are probably right.

The borrowing figures for all national banks do not measure the relative borrowing in proportion to resources which prevailed with a large number of banks, particularly in the Fifth District, as illustrated in the table to which

I have referred. At the height of our loans to members, there were more than 250 banks which were not borrowing from us, and which could, of course, have borrowed if they had applied, but they managed their affairs to their satisfaction without doing so. There have been only three banks in North Carolina—members from the beginning—which never borrowed from us, and none in South Carolina. The total membership is now 628, of which 67 are state banks.

THE CREDIT POWER OF THE FEDERAL RESERVE SYSTEM

It is quite generally agreed that, because of the reduction in reserve requirements for member banks, brought about by the Federal Reserve Act, and the concentration of their reserves in the Reserve Banks, and because of other provisions of the Act, gold is now a basis for at least twice as much credit as in the period before the Reserve System was established. With reduced reserve requirements, the banks of the country generally went to the limit of credit against their reserves, and then called on the credit-making power of the Federal Reserve Banks.

Taking into account the fact that the reserve ratio of the Federal Reserve System went down to nearly 40 per cent., very close to the minimum required by law, it is manifest that it would have been impossible to have developed the volume of bank credit recently used but for the working of the Federal Reserve System. There are some, among whom are the most voluble critics of Federal Reserve policies, who appear to think the decline in prices could have been held off and probably prevented by the extension of additional credit in large volume by the Federal Reserve Banks. At best that can be only an assumption. Whether such people take into account, or are aware of, the frightful danger of such action, I doubt. I am quite sure that the balance of judgment is not on their side. Although people of that mind may not accept the economic doctrine, there comes a period, even in normal times, when large addition to the general outstanding volume of credit works harm rather than benefit to the economic situation. We had long before passed that stage, and were asked to cure the bite of the dog with his hair. Remember there was nowhere in the world to go for credit after depletion of Federal Reserve Banks, and only two alternatives would have been left in that event, which threatened to be imminent—depreciated or fiat money, both leading to universal collapse. There can be no doubt that maintenance of the financial strength and integrity of the United States saved the world from general commercial ruin, as our armies helped save our allies from defeat and physical ruin.

More than to any other cause, it was due to the abuse or too liberal use of credit that prices rose to such an unexampled height. The conditions which brought about the creation of such a large volume of credit were very complex and difficult of control, if not entirely impossible of control. When credit ceases to bring about an increase in production commensurate with the volume of credit, then it begins to work inflation, manifested in prices of things. When it only furnishes the means to compete for the same volume of goods, of course, prices go up and absorb the credit, and it does not get you anywhere.

Too much credit always results in overtrading and over-extension of business concerns generally, and also in widespread speculation, and always heretofore it has culminated in a crisis followed by depression. For more than one hundred years, periods of activity in business and so-called prosperity have been succeeded by periods of depression, unrest and distress. Men have been endeavoring in all that time to find the definite causes and a preventive of such periods of reaction. There is rather general agreement upon the one fact that price movements are the chief factor in the development of the ups and downs of industrial activity. It is not believed that these recurring periods of depression are within our power to eliminate. They are supposed to be due to lack of adjustment in our economic system, and the more complex society grows and the more diverse the interests of our people become, the more difficult, rather than the less difficult, are they to control, notwithstanding some progress has been made and is being made to mitigate their effects.

THE GREAT ACCOMPLISHMENT OF THE FEDERAL RESERVE SYSTEM

One great thing has been accomplished in banking which we were not able to accomplish under our old banking practices from the time of the establishment of the National Banking System; that is, we have finally arrived at a sound currency principle and currency practice and are now able, through the Federal Reserve System, to furnish the currency needs of our banks in intrinsically sound and elastic currency to meet any demands which may be made upon the banks—a currency which will expand when it is needed and called for, and automatically seek retirement when the need has passed. We no longer have to use reserve money, and thus automatically diminish our credit power, to supply the need for more currency.

Another accomplishment of equal importance has been achieved. Adequate credit at all times for active business has been insured through the rediscount system. It is not likely that the demand will ever again be made on the bank-credit supply such as was made during the war. Then it was used in an improper manner and worked overtime, but it could not be avoided. When I say active business, I mean just that. There will always be a limited supply, even when a large supply, of mobile floating or liquid credit, most of which finds its way into the banks. It is constantly being created and recreated, but the surplus is just as constantly going into fixed or permanent investment. Do not forget that one of the chief purposes of rediscount operations is to obtain additional currency when needed.

There will never at any time be a sufficient supply of bank credit to justify an attempt to hold the great crops of the country in bulk off the market for a predetermined price or for an indefinite time. By that very fact business would be held up, and bankers should oppose the passage of any laws which will tend to absorb bank reserves for that purpose or in long-time credits or nonliquid paper. If any such attempt is ever made, it should be with investment capital.

Bank and commercial credit from its very nature should be kept moving. It is when it becomes "tied up" that stringency ensues, and the rate for its use goes up. Many who then require it find that somebody has been before them, and that the credit is being retained longer than the holders have a right to it, and they cannot turn it loose. In consequence business is checked. There are few bankers here present who cannot illustrate this by their own experience. The same effect is produced in the case of any particular bank when too much credit is extended to one person or set of persons; either other customers then have to go without or the bank is driven to borrow inordinately to supply them, which is the reverse of sound management. There is no safer or sounder maxim to follow, whether in the case of the individual or the bank and whether in business or speculation, than "Never overtrade." When banks begin to borrow from Federal Reserve Banks, they begin to use up their reserves, and the discount rate should always be sensitive to such demands and exercise control over them.

It is one of the most remarkable events in banking history that during the trial and stress through which our banks went, and with all the talk of stringency of credit, or "tight money," notwithstanding enormous inflation of credit, no question was raised about the currency and no panic developed, and if there was any alarm among bank depositors anywhere, it was not due to fear that they might not be able to secure payments of their deposits in money. Yet, there was more to cause such disturbance than at any previous period in modern times; that is, the upheaval and disruption of business and society the world over gave far greater reason for disturbance.

CONTRACTION OF CURRENCY

There are some critics of Federal Reserve Bank policies who accuse the banks of deliberate contraction of currency. A recent communication to a newspaper in a near-by state illustrates this class of critics. The author quotes a remark credited to President Lincoln, as follows:

> "If a government contracted a debt with a certain amount of money in circulation and then contracted the volume of money before the debt was paid, it is the most heinous crime a government could commit against the people."

Very fortunately indeed for this country and fortunately for the world, our Government did not attempt to finance any of the expenses of the war by the issue of currency. So there is no application. Yet some would be misled into thinking so by this. The same critic goes on to quote:

> "Place the money power in the hands of a combination of a few individuals, and they by expanding or contracting the currency may raise or sink prices at pleasure; and by purchasing when at the greatest elevation may command the whole property and industry of the community and control its fiscal operations."

That was quoted as from John C. Calhoun. Now what is the implication here? and where is the application? It does not apply to any condition which has existed in the Federal Reserve System and it is therefore misleading.

The Federal Reserve Board has the right of refusal to issue Federal Reserve notes in its discretion under the law. It has never exercised such discretion, and so has never refused to authorize the issue of Federal Reserve

notes when applied for by Federal Reserve Banks. There was all the currency which business called for or could use, although many may have wanted credit which they could not obtain.

There has been no failure to furnish Federal Reserve notes to member banks when applied for, and failure to furnish could only arise out of failure to discount for member banks, and rediscounts were not contracted but increased during the most fateful period, as I have shown, and Federal Reserve notes were paid out and increased in volume. It is an advantage to Federal Reserve Banks to pay out Federal Reserve notes (when they can) when their members draw against their reserve deposits, because such payments conserve the lending power of the Federal Reserve Banks.

As proven by the facts hereinbefore presented to you, during the period of the most drastic decline in prices, the Federal Reserve Banks continued to discount paper for their member banks in increasing volume, and continued to issue Federal Reserve notes in increasing volume. It was only after prices had continued their decline for a protracted period that finally the volume of currency and Federal Reserve bank credit began to decline. Federal Reserve Banks do not call in their currency. It is deposited by the people in the banks, and whenthere is no need for it, it is forward by the banks to Federal Reserve Banks for credit and redemption.

As pointed out, the major part of the decline in prices in this country happened prior to January 1, 1921. There after, prices continued to decline in many things, but not in the same ratio or to the same extent, and after that date, partly as a result of the decline in prices and liquidation of many business transactions, rediscounted paper and Federal Reserve notes both declined in volume. And here, as I have endeavored to illustrate, must be taken into account the working of the law of proportion or the law of compensation, or any other law you may choose to call it, to this effect: working under reduced prices, it is manifest to any mind that the same volume of credit is not needed for the current transactions as was needed or would have been needed when prices were 50 or 100 per cent. or any other per cent. higher, and any given outstanding volume of credit is now equivalent in effectiveness to a very much larger sum under former conditions. The same causes which started the price decline operated to continue the decline. When the war purchases of the governments of the world ceased, and when the money or credit raised to discharge the obligations entered into was exhausted or spent, there was not sufficient demand for our goods by those who could pay for them. We had stopped putting up the money for others to buy. If we had been able to continue to give credit to all the rest of the world to buy from us, then no doubt prices would have been kept up longer, but those who furnished the credit could not have kept it up very long, for they would have "gone broke," because they would not have been paid, as we know. (As a matter of fact, foreign countries became indebted to us on current account for a sum estimated between three and four billions). There was no way for such people to pay except in part with goods, which we did not want.

As to what started deflation or who started deflation, the question has been solved by one of your North Carolina newspapers, which stated in a recent editorial that, as a matter of fact—

"Henry Ford was the man who introduced a turnover from the artificial prosperity that the country was enjoying after the war. It was in September, 1920, that Mr. Ford announced a drastic reduction in the price of his cars and startled the whole business and and manufacturing world. * * * He made the others break their prices, and the result was that all over the United States and throughout every line of trade and industry, deflation set in with its consequent depression, a condition which the country is only now beginning to show capacity to overcome."

I am glad to have the responsibility transferred to Mr. Ford's shoulders.

DECISION IN THE PAR COLLECTION CASE

Recently, we had a contest with a considerable number of North Carolina non-member banks in the courts, to test the constitutionality of your recently passed statute against par collections by Federal Reserve Banks.

I am very glad to be able to recall that such amicable feeling existed between the legal representatives of the Federal Reserve Bank and those of the non-member banks that somebody said "the fellowship was so good that he couldn't tell one side from t'other." The attorneys for the other side have advised the non-member banks that the decision of the court was a sweeping one for them. That may be, and, yet, I venture to say, the result may not be to their ultimate advantage. There is one outcome of this court decision which the Federal Reserve Bank welcomed and which is highly gratifying to it. That outcome is expressed in paragraph 10 of the "Findings of Fact" by the court, to the following effect:

Paragraph 10: "That the checks drawn on the * * * * * and such other of the plaintiff banks as appear from the evidence herein, which were sent to the defendant for collection, were as expeditiously as possible under all the circumstances given or sent by the defendant to its collectors, and were by such collectors presented to the several banks upon which they were drawn without unnecessary or unreasonable delay, and without permitting such checks to accumulate in the hands of the defendant, and there was no saving up of checks drawn on the plaintiffs or either of them by the defendant."

Also paragraph 23 of the "Findings": "That the acts and things done by the defendant as shown herein were done and performed solely with the object and with the intent to discharge what the defendant was advised and believed to be its legal duties and obligations under the Act of Congress, and the said defendant was not actuated by any motive or purpose to cause any unnecessary injury or loss to the plaintiff banks, or any of them."

That clears the skirts of the Federal Reserve Bank of any contamination by reason of the flinging of accusations that the bank used coercive methods and other improper methods to further the collection plan.

In the conclusions of law arrived at by the judge, the whole substance, I think, is contained in the first paragraph:

"1. The act of the Legislature of North Carolina of February 5, 1921, is a valid and constitutional law."

We have, of course, appealed from that conclusion.

Paragraph 4 of the decree of the judge reads as follows:

"4. The said defendant is likewise enjoined from publishing or authorizing the publication of the name of any of the plaintiff banks, literally or by inclusion, in any list or other publication designed for circulation among banking institutions generally, regardless of the name employed to designate such list for publication unless or until the bank thus published or included shall have previously given its consent to such publication."

The judge has advised our counsel in an exchange of correspondence that he did not mean by that paragraph in the decree to deny the right or the privilege of the Federal Reserve Banks to publish (for the guidance of members and their customers) a list of the names of those non-member banks included in the injunction against the Federal Reserve Bank, upon which the bank does not receive checks.

The judge stated that his meaning was that the Federal Reserve Bank must not publish the name of any non-member North Carolina bank on the par list as a bank upon which it would undertake to collect at par without the consent of such non-member bank.

There is one fact that I should like to present to those non-member banks in North Carolina and elsewhere which are refusing to join in the par collection system of the country, which now embraces banks having about 98 per cent. of all the banking resources of the country. We firmly believe that the par collection system is to the interest of the public and that the public so regards it, and that being to the interest of the public, it must of necessity be to the ultimate interest of the banks. I do not mean to deny that some small banks may not find it difficult to earn a living income from the lending of money gathered in from the surrounding community, thus putting idle capital to work, which is the primary function of a bank and which constitutes 99 per cent. of the usefulness of a bank to the public, or that some of them under previous conditions and practice cannot do business if they cannot make an exchange charge when remitting for their customers' checks. I do mean to state the conviction, however, that a par collection system is to the ultimate interest of all banks.

For your thoughtful consideration, I will present to you the result of a study we have been making of the course of deposits in the non-par banks as compared with the course of deposits in those non-member banks which are remitting at par. I do not undertake to say, of course, that the figures that I present are more than a coincidence, but when you take a large number of coincidences, say, 227 of them, that being the number of non-par banks in North Carolina, and compare them with 208 other coincidences, that being the number of non-member banks in North Carolina which (although being non-members), nevertheless, remit at par, then, at least, the comparison is entitled to some thoughtful consideration, and that is all that I mean to ask and all that I mean to say. The decline in the deposits of 227 non-member banks in North Carolina which did not remit at par from February 28, 1920, to June 30, 1921, was 36.04 per cent., while the decline in the deposits of 208 non-member banks which remitted at par for the same period was only 26.89 per cent. The decline in the deposits of 102 national bank and state bank members during the same period was only 25.5 per cent. This may indicate (I don't say that it does positively, since it may have been due to special causes, but I ask you in your own interest to consider whether it does indicate) that depositors prefer to deal, or that a greater percentage of depositors prefer to deal, with those banks which pay their checks at par without the deduction of exchange.

A final word upon the nature and causes of our depression, from which you have emerged to some extent and from which I hope and believe in due time you will emerge upon a higher plane of power and usefulness; for the fact

confronts you that the banks of North Carolina, state and national, have grown to an unparalleled extent under the protection of the Federal Reserve System, and when their loans to their customers become more satisfactorily adjusted and more liquid, they will be in a stronger position and more useful than they have ever been in the life of the State.

We know, of course, the loss and distress which has been brought upon a multitude of individuals, chiefly upon those engaged in agriculture, who need aid of several kinds. On the other hand, I believe that no man will undertake to deny that the State as a whole has advanced in real wealth far beyond that possessed prior to 1914, and that it has the machinery, both of banking and of commerce and manufacture, to quickly advance to far greater heights of prosperity and far greater attainment of wealth for the people as a whole than has ever yet been realized. Whether this depression could have been avoided or not—and I am one of those who believe it was inevitable, as I believe future depressions as a result of excesses whenever committed will be bound to occur—let us consider the utterance of one of the world's foremost statemen or politicians, and certainly one of the best minds in public life in the world today—the utterance of Mr. Lloyd George in his recent speech before the Genoa Conference:

> "The conference has been called to consider the problem of reconstruction of economic Europe, devasted, broken into fragments by the devasting agencies of war. Europe—the richest of all continents, the continent which possesses the largest amount of accumulated wealth and certainly the greatest machinery for production of wealth and the largest aggregate of human means, with highly civilized needs and with highly civilized means of supplying those needs, and therefore Europe is the best customer in the world and of the world—has been impoverished by the greatest destruction of capital that the world has ever witnessed.
>
> "If the European countries had gathered together their mobile wealth in one pymarid and set it on fire the result could hardly have been more complete as far as the capital wealth of Europe is concerned. International trade has been disorganized through and through; the recognized medium of commerce, exchange based on currency, has become almost unworkable, and vast areas upon which Europe had hitherto depended for a large proportion of its food supplies and its raw materials are completely destroyed for all purposes of commerce."

Let me ask you in all candor: with these great and terrible facts long known and still confronting the world, of which no man can plead ignorance—with these causes too powerful and inexorable to be stayed in their operation, is it not futile in the delirium of distress to imagine that we could escape the penalty, or the consequences, or that any economic or banking policy possibly of adoption could do more than alleviate the distress, as has been done, or that there is any remedy or hope of recovery except in the course of time? We cannot eat and have, as we tried to do.

All men will never agree together upon any great matter—finance, politics, religion, economics or what not; else there would have been no war. And if one thing happen as the result of any course, there will always be some who will say that another course might have been taken and another thing would have happened, and the other thing might have been still more terrible. Who can see the end from the beginning?

You bankers may hearten yourselves with these facts: Notwithstanding what you have passed through, your banks as a whole emerged with greater resources and more powerful than you would have dared to dream of seven

years ago. It is so with the country-at-large. The industries of your State have added to her wealth in that period, and you have the equipment to create greater wealth and prosperity, such as you had no right to hope to have within so short a time. It is so with the country-at-large. We have added something of value to our experience, but let us not forget the teachings of adversity.

GRAPHIC CHARTS

AND

TABLES OF INFORMATION

REFERRED TO IN THE ADDRESS

EXPLANATION OF GRAPHIC CHARTS REFERRED TO IN THE ADDRESS

The first four of these graphic charts show the trend of the average monthly wholesale prices of Corn, No. 3, Chicago; Wheat, No. 2, red winter, Chicago; Cotton yarns, northern cones, 10-1 Boston; Cotton, middling, New Orleans; Sugar, granulated, New York; Hogs, light, Chicago; Hides, packers, heavy native steers, Chicago; Cattle, steers, good to choice, Chicago and the trend of Federal Reserve Note Circulation and the holdings of Government Secured paper and All Other Paper (including Bankers' Acceptances) and Circulation and Paper Combined, for the Federal Reserve System and for the Federal Reserve Bank of Richmond.

The figures, in all instances, have been reduced to the same basis, the January, 1920, figure being represented by the index figure 100. Subsequent increases or decreases are represented by an upward or downward curve. The extent of the increase or decrease is gauged by the figures at either margin. A curve touching the heavy line marked 140 would represent an increase of 40% over the January figure; one touching the heavy line marked 30 would represent a decrease of 70% as compared with the January figure.

Chart No. 1 shows the course of the average monthly wholesale prices of Corn, Wheat, Cotton yarns, and Cotton.

Chart No. 2 shows the course of the average monthly wholesale prices of Sugar, Hogs, Hides, and Cattle.

Chart No. 3 shows the course of Federal Reserve Note Circulation, Government Secured Paper, All Other Paper (including Bankers' Acceptances) and Circulation and Paper Combined for the Federal Reserve System.

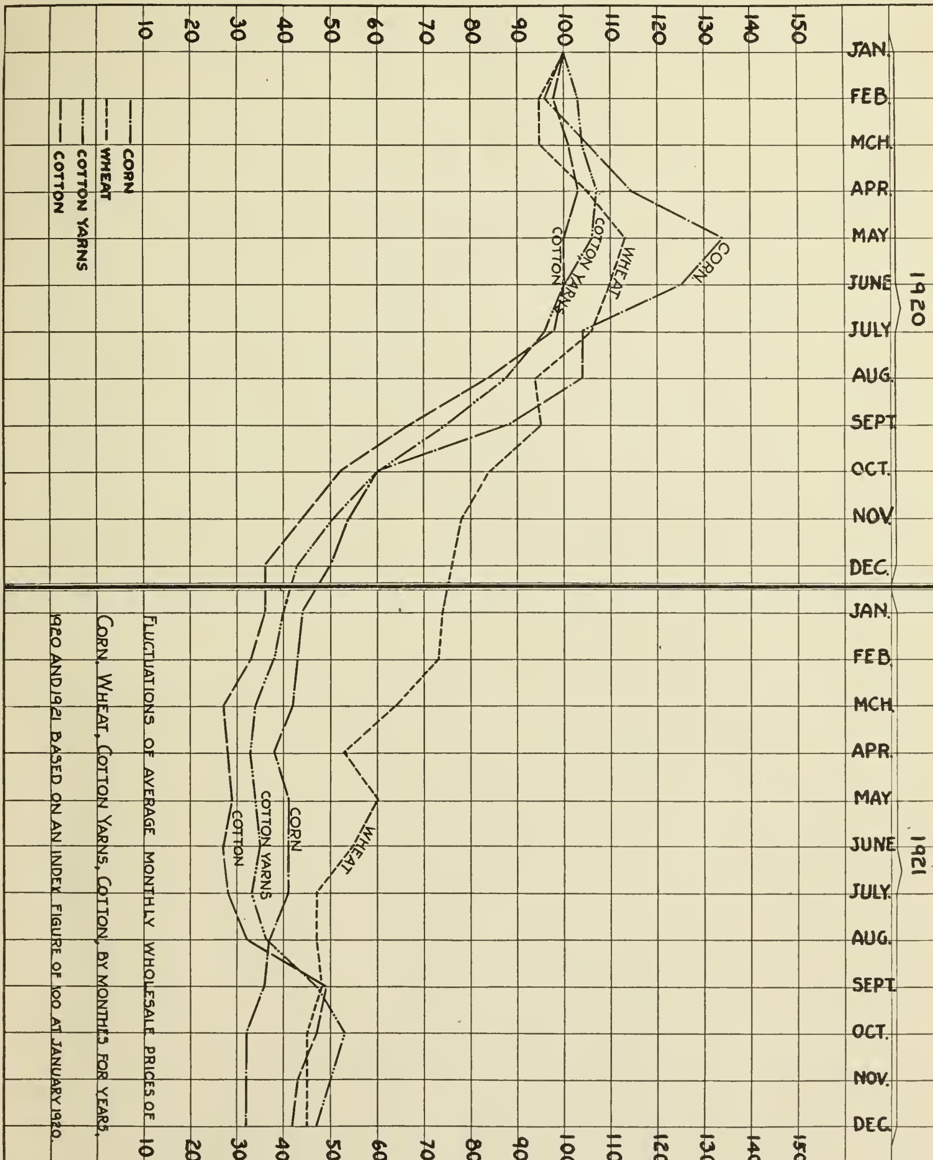
Chart No. 4 shows the course of Federal Reserve Note Circulation, Government Secured Paper, All Other Paper (including Bankers' Acceptances) and Circulation and Paper Combined for the Federal Reserve Bank of Richmond.

The figures for charts Nos. 1 and 2 were taken from the Federal Reserve Bulletin; those for chart No. 3 from the Federal Reserve Board's weekly published statement nearest the 15th of each month, and those of chart No. 4 from our statements of the same dates.

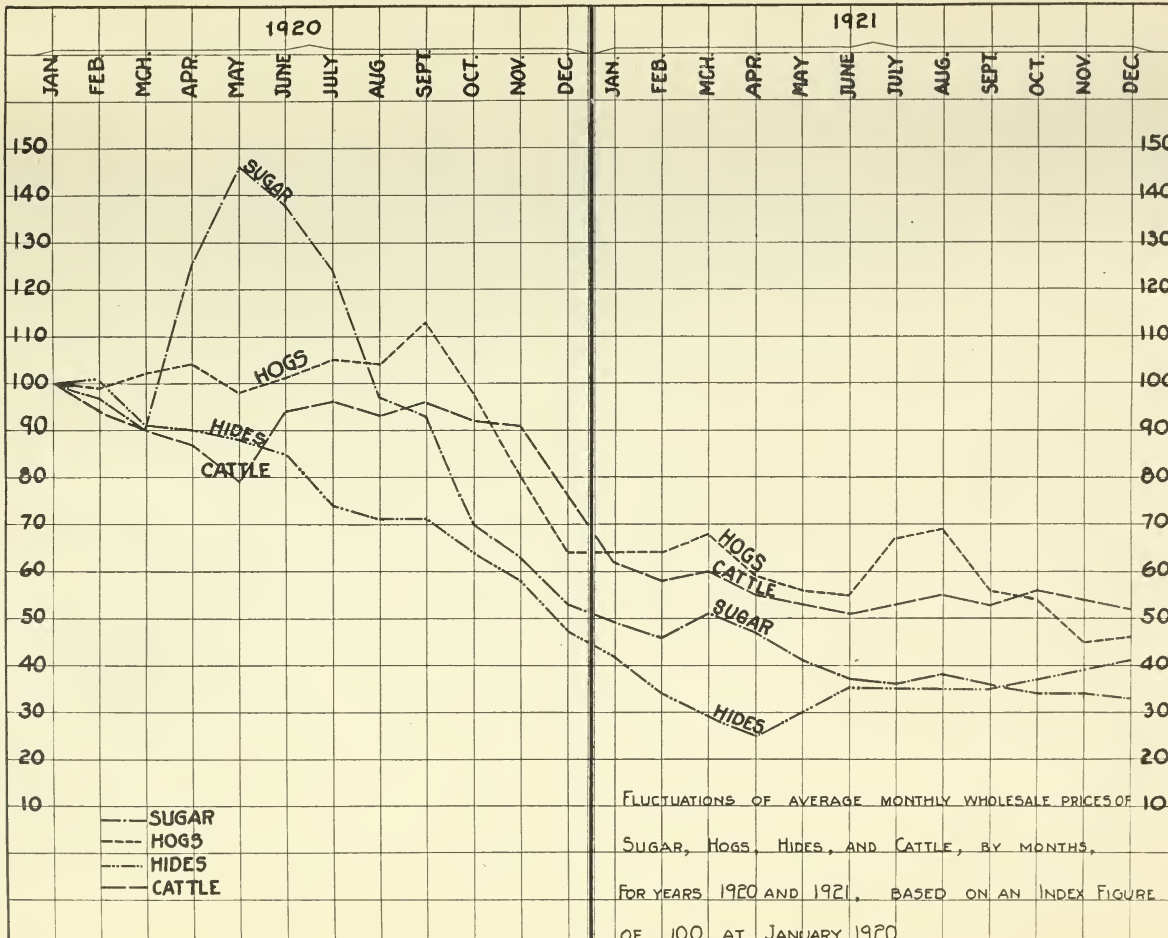
The curve of Chart No. 4 showing Government Secured Paper, includes that paper under re-discount with other Federal Reserve Banks as well as that actually held by this Bank.

All these figures, average monthly wholesale prices, Federal Reserve Note Circulation, Holdings of Paper, and Circulation and Holdings Combined, have been reduced to the same basis—that of percentage, January, 1920, being taken as 100% or "Par," and subsequent increases or decreases calculated from this (January, 1920) basis.

NO 1.

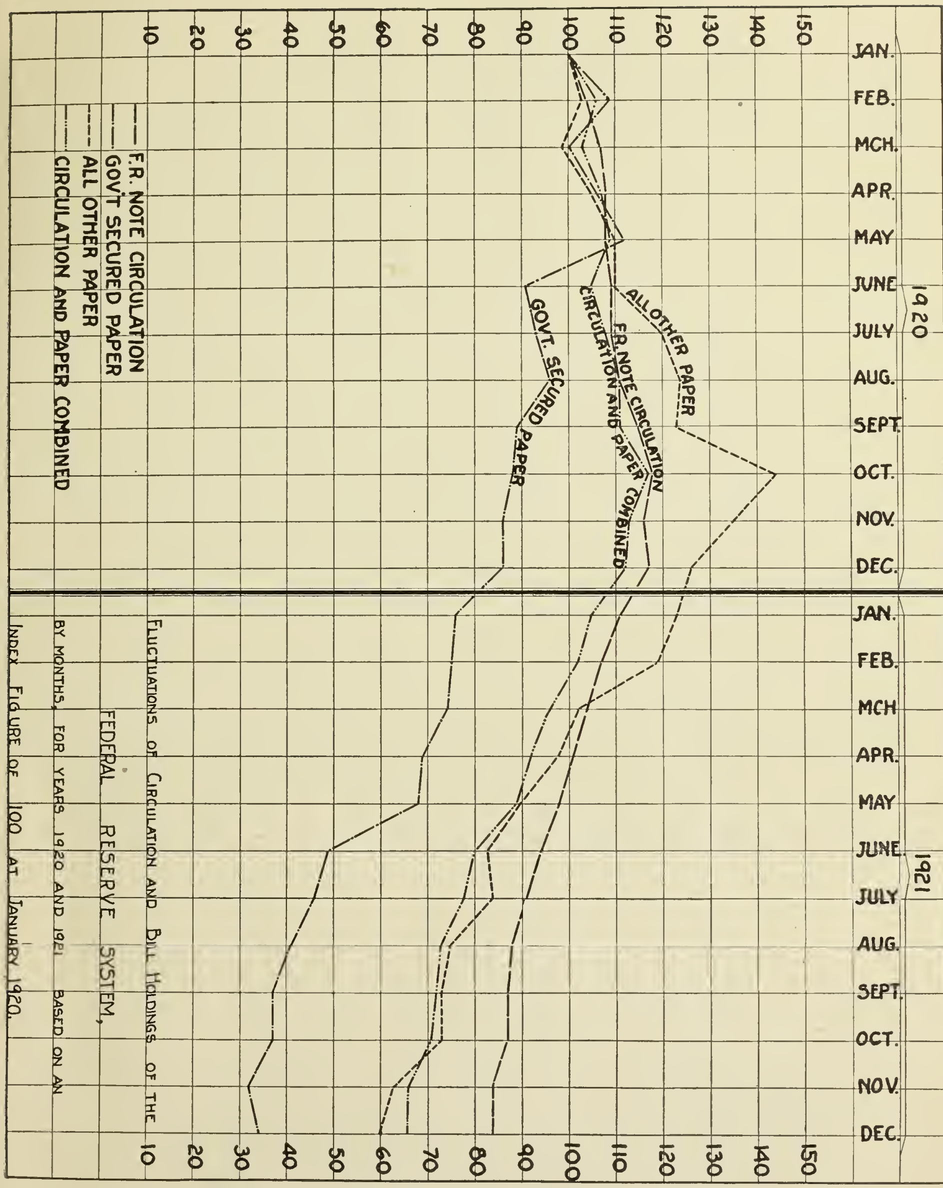

Fluctuations of average monthly wholesale prices of
Corn, Wheat, Cotton Yarns, Cotton, by months for years
1920 and 1921 based on an index figure of 100 at January 1920.
1920
1921
JAN. FEB. MCH. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.
10 20 30 40 50 60 70 80 90 100 110 120 130 140 150
CORN
WHEAT
COTTON YARNS
COTTON

No. 2



Fluctuations of average monthly wholesale prices of Sugar, Hogs, Hides, and Cattle, by months, for years 1920 and 1921. Based on an Index Figure of 100 at January 1920.

N° 3 ALL FEDERAL RESERVE BANKS

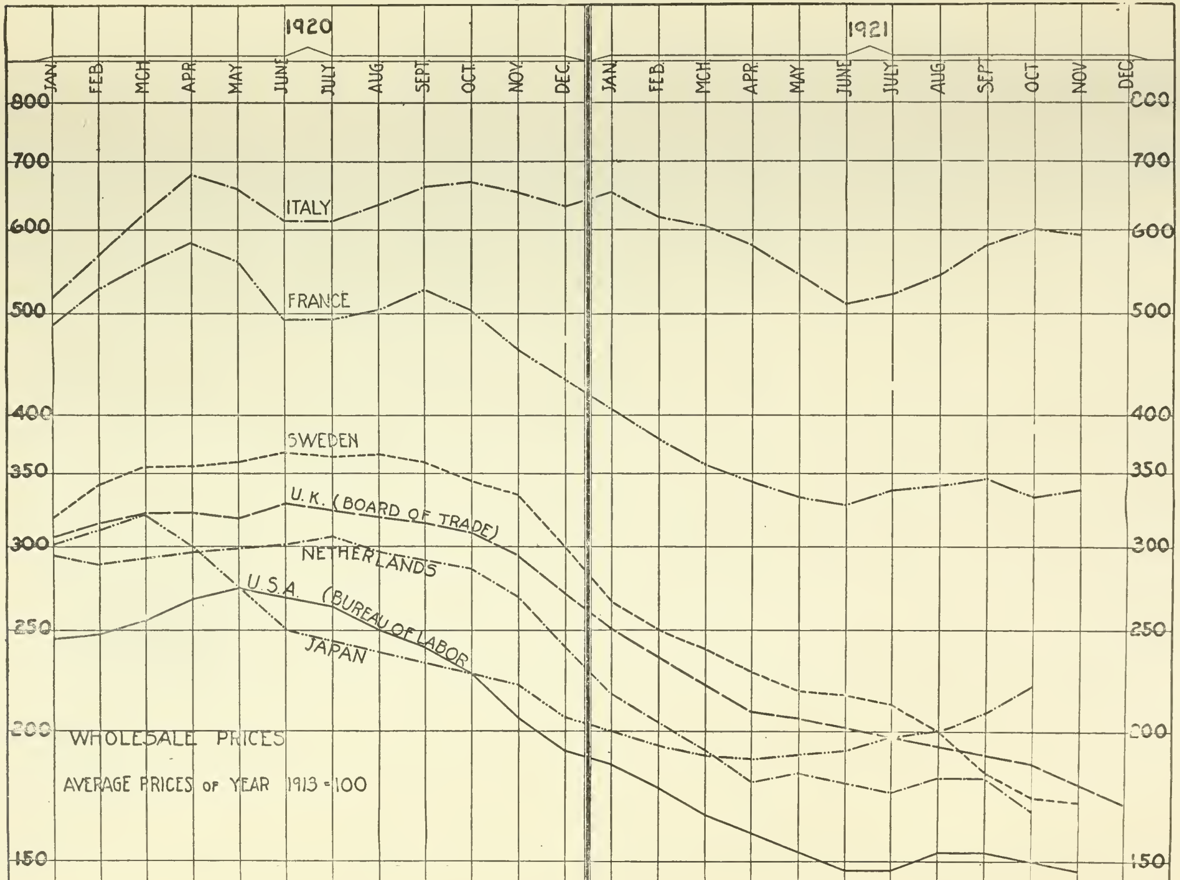



Nº4 FEDERAL RESERVE BANK OF RICHMOND.
1920
1921
JAN. FEB. MCH. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.
240 230 220 210 200 190 180 170 160 150 140 130 120 110 100 90 80 70 60 50 40 30 20 10
ALL OTHER PAPER
CIRCULATION AND PAPER
F.R. NOTE CIRCULATION
GOVT. SECURED PAPER
F. R. NOTE CIRCULATION
GOVT. SECURED PAPER
ALL OTHER PAPER.
CIRCULATION AND PAPER COMBINED.
FLUCTUATIONS OF CIRCULATION AND BILL HOLDINGS OF THE
FEDERAL RESERVE BANK OF RICHMOND,
BY MONTHS, FOR YEARS 1920 AND 1921 BASED ON AN
INDEX FIGURE OF 100 AT JANUARY 1920.

AVERAGE WHOLESALE PRICES OF COMMODITIES

FOR MONTHS OF	CORN NO. 3 CHICAGO	WHEAT NO. 2 RED WINTER CHICAGO	COTTON YARNS NORTHERN CONES BOSTON	COTTON MIDDLING NEW ORLEANS	SUGAR GRANULATED NEW YORK	HOGS LIGHT CHICAGO	HIDES PACKERS, HEAVY NATIVE STEERS CHICAGO	CATTLE STEERS GOOD TO CHOICE CHICAGO
JAN. 1920	1.47	2.63	.73	.40	.15	15.12	.40	15.94
MAY 1920	1.98	2.97	.77	.40	.22	14.75	.35	12.60
DEC. 1920	.73	2.01	.31	.14	.08	9.66	.19	12.09
JAN. 1921	.66	1.96	.29	.14	.08	9.67	.17	9.84
MAY 1921	.61	1.57	.25	.12	.06	8.45	.12	8.42
DEC. 1921	.47	1.18	.34	.17	.05	7.02	.16	8.22
DECLINE FROM HIGH IN 1920	1.25	.96	.46	.26	.14	5.46	.21	3.85
DECLINE IN 1921	.26	.83	(INCREASE) .03	(INCREASE) .03	.03	2.64	.03	3.87

COPY OF CHART PUBLISHED BY MANCHESTER GUARDIAN, ENGLAND
WORLD PRICES



TABLES OF INFORMATION REFERRED TO IN THE ADDRESS

We frequently hear the inquiry, "What has become of all the money?" This inquiry generally arises from current talk and newspaper comment about "tight money," which usually means in these times, as bankers know, quite a different thing from lack of currency, or real money, which is supposed to be meant by a large part of the public.

Nevertheless, a considerable portion of the otherwise well-informed public is misled or confused whenever periods of credit stringency come around, and banks are not able to lend "credit" freely to everybody who asks for it but does not always need it.

For the information, or perhaps for the ready reference, of those who wish to know what happened to our money or circulating currency supply during the recent extraordinary period, I append a table showing the variation in both the general stock of money in the country and the amount in circulation on December 1, 1920, when both were at the maximum, and on March 1, 1922, after the period of "deflation." Between these periods there was a decrease of only $205,000,000 in the general stock and $875,000,000 in the circulation.

The general stock of money means the total supply of gold, silver and all forms of currency in the country, in the hands of the Government, the banks and the people.

The "circulation" at any given time, is determined by deducting from the general stock the amount held in the Treasury as assets of the Government, and the amount held by Federal Reserve Banks or Federal Reserve Agents against issues of Federal Reserve notes.

To illustrate: Gold certificates are issued by the Government against gold coin and bullion held. Of course, the gold coin and the gold certificates issued against them are not both counted either in the general stock or the circulation. So gold held by Federal Reserve Banks or Agents and Federal Reserve notes issued against them are not both counted in the circulation; one represents the other, and only one is therefore counted.

Federal Reserve Banks are permitted by law to issue Federal Reserve notes, with a minimum of 40% of gold reserve held against them. So the amount of Federal Reserve notes circulating at a given time may be much greater than the amount of gold held by the Federal Reserve Banks and Agents. But to arrive at the net circulation, the amount of the gold held by the Federal Reserve Banks and Agents against the notes is, of course, deducted from the total. At At the present time, there is just about one dollar of gold behind every dollar of Federal Reserve notes after setting aside the 35% reserve required by law against deposits.

COMPOSITION OF GENERAL STOCK OF MONEY AND MONEY IN CIRCULATION.

(Money in circulation is determined by deducting from the General Stock the amount held in the Treasury as assets of the Government and the amount held by F. R. Banks or F. R. Agents against issues of Federal Reserve notes.)

	General Stock of Money in U. S.	Held in Treasury as Assets Government.	Held by F. R. Bks. and F. R. Agts. against Issues F. R. Notes.	Money in Circulation.
DECEMBER 1, 1920				
Gold coin and bullion	$2,761,338,519	$430,386,732	a$ 898,841,309	b$ 879,529,142
Gold Certificates	....	....	201,018,280	351,563,056
Standard Silver Dollars	269,857,494	15,857,417	....	97,095,305
Silver Certificates	....	....	....	155,289,410
Subsidiary Silver	266,609,065	3,691,931	....	262,917,134
Treasury Notes of 1890	....	....	....	1,615,362
United States Notes	346,681,016	6,962,414	....	339,718,602
Federal Reserve Notes	c3,663,592,795	18,203,857	325,973,820	3,319,415,118
Federal Reserve Bank Notes	239,569,800	4,094,172	....	235,475,628
National Bank Notes	734,010,797	13,130,555	....	720,880,242
Total	$8,281,659,486	$492,327,078	$1,425,833,409	$6,363,498,999

a Includes $822,903,893 credited to F. R. Agents in the Gold Settlement fund deposited with Treasurer of the United States.

b Includes $403,542,320.39 credited to F. R. Banks in Gold Settlement fund deposited with Treasurer of the United States.

c Includes own F. R. notes held by F. R. Banks.

	General Stock of Money in U. S.	Held in Treasury as Assets Government.	Held by F. R. Bks. and F. R. Agts. against Issues F. R. Notes.	Money in Circulation.
MARCH 1, 1922.				
Gold coin and bullion	$3,720,755,655	$369,444,572	b$1,602,100,023	c$1,056,861,301
Gold Certificates	....	....	266,103,280	426,246,479
Standard Silver Dollars	360,401,851	5,930,528	....	67,987,131
Silver Certificates	....	....	....	284,950,223
Subsidiary Silver	272,380,601	17,571,082	....	254,809,519
Treasury Notes of 1890	....	....	....	1,533,969
United States Notes	346,681,016	3,900,196	....	342,780,820
Federal Reserve Notes	d2,518,443,360	3,067,442	301,862,170	2,213,513,748
Federal Reserve Bank Notes	105,525,400	1,351,259	....	104,174,141
National Bank Notes	752,035,482	16,130,055	....	735,905,427
Total	$8,076,223,365	$417,395,134	$2,170,065,473	$5,488,762,758

b Includes $1,524,190,760 credited F. R. Agents in Gold fund deposited with Treasurer of the United States.

c Includes $504,072,205.86 credited to F. R. Banks in Gold fund deposited with Treasurer of the United States.

d Includes own F. R. notes held by F. R. Banks.

NOTE: It is to be taken into account that money in circulation includes money in the possession of the banks of the country.

(Continued on next page)

ANALYSIS—NET DECREASE IN GENERAL STOCK.

It will be observed that the General Stock of Money on March 1, 1922, is only $205,000,000 less than on December 1, 1920, accounted for as follows:

Decrease.		Increase.	
F. R. Notes	$1,145,000,000	Gold	$ 959,000,000
F. R. Bank Notes (1s and 2s chiefly)	134,000,000	Silver Dollars	91,000,000
		Subsidiary Silver	6,000,000
		National Bank Notes	18,000,000
	$1,279,000,000		$1,074,000,000
		Net Decrease	205,000,000

Decrease in Circulation.

The net decrease in circulating money between the periods given was $875,000,000, accounted for as follows:

Decrease.		Increase.	
F. R. Notes	$1,106,000,000	Gold	$ 253,000,000
F. R. Bank Notes	131,000,000	All other (net)	109,000,000
	$1,237,000,000		$ 362,000,000
		Net Decrease	875,000,000

GENERAL STOCK OF MONEY IN UNITED STATES AND MONEY IN CIRCULATION, DETERMINED BY DEDUCTING FROM THE GENERAL STOCK THE AMOUNT HELD IN THE TREASURY AS ASSETS OF THE GOVERNMENT AND THE AMOUNT HELD BY FEDERAL RESERVE BANKS OR FEDERAL RESERVE AGENTS AGAINST ISSUES OF FEDERAL RESERVE NOTES.

	General Stock	In Circulation
December 1, 1914	$4,031,000,000	$3,630,000,000
" 1, 1915	4,329,000,000	3,859,000,000
" 1, 1916	4,850,000,000	4,303,000,000
" 1, 1917	6,026,000,000	5,085,000,000
" 1, 1918	7,669,000,000	5,993,000,000
" 1, 1919	7,783,000,000	5,929,000,000
" 1, 1920	8,281,000,000	6,363,000,000
" 1, 1921	8,085,000,000	5,676,000,000
March 1, 1922	8,076,000,000	5,488,000,000

STOCK OF GOLD IN THE UNITED STATES, 1914-1922.

December 1, 1914	$1,817,000,000
" 1, 1915	2,266,000,000
" 1, 1916	2,741,000,000
" 1, 1917	3,040,000,000
" 1, 1918	3,080,000,000
" 1, 1919	2,833,000,000
" 1, 1920	2,761,000,000
" 1, 1921	3,545,000,000
March 1, 1922	3,720,000,000

GROWTH IN NUMBER AND RESOURCES OF BANKS FROM STATEMENTS OF THE COMPTROLLER AS OF JUNE 30, 1914-1921.

	Number of Banks		Resources	
Classification of Banks	1914	1921	1914	1921
National	7,525	8,154	$11,482,000,000	$20,518,000,000
State (commercial)......	14,512	18,875	4,354,000,000	14,199,000,000
Loan and Trust Companies	1,564	1,474	5,489,000,000	8,181,000,000
Mutual Savings	634	623	4,254,000,000	6,041,000,000
Stock Savings	1,466	978	1,196,000,000	557,000,000
Private	1,064	708	196,000,000	175,000,000
	26,765	30,812	$26,971,000,000	$49,671,000,000

NUMBER AND RESOURCES OF ALL MEMBER BANKS OF THE FEDERAL RESERVE SYSTEM.

June 30, 1921	
Number of Member Banks	Resources
9,745	$29,639,000,000

AGGREGATE RESOURCES OF NATIONAL BANKS.

December 31, 1921	
8,169	$19,420,000,000

There is no information available as to whether all the banking institutions of the country reported at either period.

REDISCOUNTS AND BILLS PAYABLE OF ALL NATIONAL BANKS IN COUNTRY AT APPROXIMATE DATES, TOWARDS THE CLOSE OF EACH YEAR 1907-1921.

1907	$ 100,000,000	1915	98,000,000
1908	39,000,000	1916	89,000,000
1909	43,000,000	1917	741,000,000
1910	71,000,000	1918	1,380,000,000
1911	64,000,000	1919	1,504,000,000
1912	72,000,000	1920	2,299,000,000
1913	100,000,000	1921	1,007,000,000
1914	132,000,000		

REDISCOUNTS AND BILLS PAYABLE OF NATIONAL BANKS IN VIRGINIA, NORTH CAROLINA, SOUTH CAROLINA AT APPROXIMATE DATES TOWARDS THE CLOSE OF EACH YEAR, 1907-1921.

	Virginia	North Carolina	South Carolina
December			
1907	$ 1,800,000	$ 1,400,000	$ 500,000
1908	1,400,000	1,900,000	1,000,000
1909	1,700,000	1,900,000	450,000
1910	2,400,000	3,000,000	2,100,000
1911	2,600,000	3,200,000	2,700,000
1912	1,700,000	2,100,000	3,000,000
1913	3,500,000	3,500,000	3,500,000
1914	5,500,000	7,900,000	6,800,000
1915	3,769,000	4,200,000	3,654,000
1916	1,942,000	1,855,000	2,055,000
1917	17,456,000	4,889,000	4,554,000
1918	37,291,000	12,106,000	23,988,000
1919	48,686,000	13,810,000	20,798,000
1920	49,442,000	25,077,000	26,636,000
1921	43,337,000	26,178,000	24,392,000
March 31, 1922	27,997,000	14,578,000	15,251,000

MONEY BORROWED BY ALL STATE BANKS IN NORTH CAROLINA.

June 30, 1914	$ 5,890,000
" 23, 1915	5,205,000
" 30, 1916	4,123,000
" 20, 1917	5,130,000
" 29, 1918	12,656,000
" 30, 1919	19,088,000
" 30, 1920	29,621,000
" 30, 1921	32,050,000

CAPITAL, SURPLUS, UNDIVIDED PROFITS, MONEY BORROWED, INDIVIDUAL DEPOSITS, LOANS AND RESOURCES— ALL STATE BANKS IN NORTH CAROLINA.

Taken from official reports to Corporation Commission as of dates indicated.

Date	Capital	Surplus	Undivided Profits	Money Borrowed	Individual Deposits	Loans and Discounts	Resources
1914—June 30	$11,276,000	$3,625,000	$2,845,000	$ 5,890,000	$ 62,794,000	$ 67,800,000	$ 89,236,000
1915—June 23	10,840,000	3,423,000	3,064,000	5,205,000	54,700,000	59,591,000	80,317,000
1916—June 30	11,443,000	3,622,000	3,318,000	4,123,000	68,000,000	69,108,000	96,245,000
1917—June 20	12,062,000	4,091,000	3,985,000	5,130,000	90,588,000	84,851,000	119,709,000
1918—June 29	12,764,000	5,360,000	3,700,000	12,656,000	108,530,000	110,663,000	150,413,000
1919—June 30	13,467,000	6,408,000	3,905,000	19,088,000	140,571,000	134,577,000	196,488,000
1920—June 30	20,904,000	8,781,000	5,555,000	29,621,000	203,210,000	216,213,000	284,888,000
1921—June 30	23,322,000	9,627,000	4,335,000	32,050,000	159,627,000	187,771,000	242,374,000

Individual deposits include Cashier's Checks and Certified Checks.

CAPITAL, SURPLUS, UNDIVIDED PROFITS, MONEY BORROWED, INDIVIDUAL DEPOSITS, LOANS AND RESOURCES— ALL NATIONAL BANKS IN NORTH CAROLINA.

Taken from official reports to Comptroller of the Currency as of dates indicated.

Date	No. of Banks	Capital	Surplus	Undivided Profits	Money Borrowed	Individual Deposits	Loans and Discounts	Resources
1914—June 30	73	$ 8,745,000	$3,219,000	$1,898,000	$ 5,566,000	$ 33,805,000	$ 45,184,000	$ 67,262,000
1915—June 23	80	9,350,000	3,546,000	2,369,000	6,220,000	34,492,000	45,425,000	68,127,000
1916—June 30	79	8,860,000	3,592,000	2,487,000	2,857,000	39,931,000	45,853,000	70,466,000
1917—June 20	80	8,810,000	3,945,000	2,729,000	4,112,000	49,477,000	51,797,000	82,847,000
1918—June 29	81	8,940,000	4,544,000	2,351,000	12,840,000	60,444,000	60,965,000	103,493,000
1919—June 30	82	9,730,000	5,236,000	2,249,000	16,518,000	81,213,000	75,712,000	133,936,000
1920—June 30	87	11,890,000	7,645,000	2,572,000	20,051,000	112,828,000	108,530,000	168,012,000
1921—June 30	87	12,980,000	7,908,000	3,592,000	26,272,000	90,429,000	94,327,000	144,245,000

Individual deposits include Cashier's Checks and Certified Checks.

MEMBER BANKS BORROWING AS OF OCTOBER 31, 1920, BASIC LINES CALCULATED UPON AVERAGE RESERVE BALANCE IN SEPTEMBER.

	Virginia	North Carolina	South Carolina	Maryland	District of Columbia	West Virginia	Totals
Number of Banks							
Borrowing	108	73	90	48	10	13	342
Non-Borrowing	77	23	8	51	6	101	266
Basic Lines							
Borrowers	$26,387,550	$12,340,649	$ 7,326,256	$24,467,315	$ 7,750,377	$ 1,682,669	$ 79,954,816
Non-Borrowers	5,379,462	2,138,719	572,549	4,078,688	4,199,237	12,376,054	28,744,709
Totals	$31,767,012	$14,479,368	$ 7,898,805	$28,546,003	$11,949,614	$14,058,723	$108,699,525
Liability Oct. 31, 1920							
Govt. Secured......	$16,041,311	$10,198,935	$10,871,084	$11,577,665	$ 4,471,000	$ 639,500	$ 53,798,496
Commercial & Agr...	26,539,771	17,934,798	11,677,393	14,739,339	1,686,773	18,500	72,597,575
B. A.	500,000	75,000	728,145	3,607,829	700,000	....	5,610,974
Total	$43,081,082	$28,208,733	$23,276,622	$29,924,833	$ 6,857,773	$ 658,000	$132,007,045
Per Cent of							
Borrowers' Basic Line	163	229	318	122	89	39	165
Total Basic Line...	136	195	295	105	57	5	121

A MEMORANDUM OF THE AMOUNT OF CREDIT EXTENDED TO BANKS IN NORTH CAROLINA, SOUTH CAROLINA AND VIRGINIA IN A FEW TYPICAL CASES ON A GIVEN DATE—APRIL 28, 1921.

This memorandum is intended to show the credit strain under which these banks operated, due to conditions in their localities, and the extraordinary assistance given them by the Federal Reserve Bank, while charges of "restriction of credit" were being made by misinformed people. Note the proportion of borrowed money to the deposits of the banks and to the reserve deposits carried in the Federal Reserve Bank.

Loans	Borrowings from F. R. Bank	Borrowings from Elsewhere	Deposits	Reserve
$ 404,000	$ 172,000	$ 15,000	$ 191,000	$ 11,837
3,978,000	786,000	205,000	2,808,000	271,597
673,000	381,000	97,000	394,000	overdrawn
3,559,000	660,000	239,000	2,302,000	102,799
3,685,000	713,000	243,000	2,682,000	129,986
1,011,000	284,000	15,000	557,000	13,153
867,000	369,000	......	448,000	17,592
150,000	88,000	16,000	62,000	4,482
775,000	355,000	62,000	447,000	16,497
177,000	69,000	10,000	51,000	overdrawn
1,868,000	469,000	25,000	1,376,000	overdrawn
4,359,000	1,441,000	175,000	3,748,000	176,731
1,203,000	536,000	20,000	705,000	34,233
10,217,000	3,573,000	250,000	7,166,000	458,957
420,378	170,000	25,000	224,000	7,665
346,000	231,000	35,000	142,000	overdrawn
652,000	239,000	15,000	160,000	25,086
153,000	40,000	24,000	66,000	4,604
4,513,000	1,262,000	670,000	3,574,000	179,145
454,000	218,000	25,000	250,000	6,557
756,000	273,000	55,000	372,000	15,663
191,000	74,000	20,000	69,000	3,148
2,397,000	802,000	378,000	1,955,000	100,596
4,074,000	980,000	745,000	3,966,000	183,207
420,000	243,000	......	220,000	20,527
5,122,000	906,000	83,000	3,241,000	141,143
171,000	94,000	10,000	111,000	4,150
1,528,000	527,000	89,000	1,109,000	41,812
200,000	63,000	37,000	100,000	3,020
325,000	89,000	87,000	161,000	3,330
701,000	225,000	145,000	322,000	13,681
608,000	270,000	61,000	288,000	12,225
1,230,000	386,000	135,000	658,000	6,226
305,000	175,000	5,000	111,000	overdrawn
1,502,000	409,000	......	1,202,000	overdrawn
337,000	160,000	40,000	332,000	overdrawn
573,000	194,000	35,000	212,000	16,725
4,877,000	1,362,000	......	3,366,000	228,417
3,662,000	1,002,000	......	2,958,000	195,328
16,448,000	3,234,000	845,000	14,217,000	709,242
4,428,000	1,551,000	......	3,152,000	147,783
4,620,000	781,000	325,000	3,030,000	overdrawn
4,946,000	1,590,000	519,000	2,876,000	45,165

DECREASE IN INDIVIDUAL DEPOSITS IN NORTH CAROLINA BANKS, MEMBER AND NON-MEMBER, PAR AND NON-PAR.

FEBRUARY 28, 1920—JUNE 30, 1921.

	Number of Banks	Deposits February 28, 1920	Deposits June 30, 1921	Decrease in Deposits	Percentage of Decrease
NON-MEMBER BANKS (Par and Non-Par)					
Injunction Banks	208	$ 57,365,000	$ 37,360,000	$ 20,105,000	35.04
Non-Par Banks	19	4,090,000	2,042,000	2,048,000	50.07
Total Non-Par	227	$ 61,455,000	$ 39,302,000	$ 22,153,000	36.04
Injunction Banks remitting at par	18	$ 9,404,000	$ 8,024,000	$ 1,380,000	14.67
Non-Member Par	190	107,818,000	77,667,000	30,151,000	27.96
Total	208	$117,222,000	$ 85,691,000	$ 31,531,000	26.89
MEMBER BANKS.					
National Banks	87	$126,268,000	$ 90,928,000	$ 35,340,000	27.9
State Members	15	35,007,000	29,111,000	5,896,000	16.8
Total	102	$161,275,000	$120,039,000	$ 41,236,000	25.5

The foregoing comparisons apply to the same banks on the different dates given. Only individual deposits are taken into account.